

CONFIDENTIAL

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S. H. [Signature]

Chief of Station, [Redacted]

APR 1957

Finance Division

- Administrative
- Change in Payroll Procedures

REFERENCE: [Redacted]

1. The problems encountered in the administration of the compensation and allowances due agent-type personnel have, as you are very much aware, plagued Headquarters and the field on many occasions. In view of the fact, however, that the basic control over the contracts and agreements which establish and govern the compensation and allowances for these persons rests with Headquarters, we do not feel that transfer of responsibility for administration and payment of the allowances can be successfully transferred to the field. This view is substantiated by experience gained during a period when another station attempted to undertake this responsibility.
2. As indicated in reference, the principle factors which cause overpayments in accounts are delays in and failure to transmit timely information regarding changes in status which affect pay and allowances. There are, of course, cases wherein administrative errors cause or contribute to such errors. Unfortunately, neither Headquarters nor the field has been without fault in such cases, as is evidenced by the cases cited in reference. Without belaboring all details of these cases, the following points illustrate factors which contribute to these problems:
  - a. In the case of [Redacted] the error which resulted in the overpayment occurred at Headquarters, inasmuch as cable requesting payment of allowances in the field was not answered immediately.
  - b. In the case of [Redacted] upon his conversion from staff employee to staff agent status, the station should have discontinued payment of allowances since [Redacted] alternate paragraph 2, specifically states that all allowances other than for staff employees will be paid by Headquarters.

DOC	19	REV DATE	18/03/80	BY	018995
ORIG COMP	38	OPI	38	TYPE	10
ORIG CLASS	5	PAGES	5	REV CLASS	C
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3. Although we feel that procedures whereby all agents are paid their allowances by Headquarters should be continued, we are not unmindful of the need for improving procedures to the end that errors will be minimized. Accordingly, we are constantly re-examining all processes in an effort to strengthen ability to adequately discharge this responsibility. The principle factor which repeatedly is evidenced as the cause of confusion in the accounts is the failure of communications between Headquarters and the field. In the case of Headquarters, this failure most often manifests itself in incomplete and inadequate information to the field as to the basis and procedures by which compensation and allowances are to be paid. In the case of the field, problems most frequently must be attributed to failure to furnish timely advice as to changes in status which affect pay and allowances. The agent's themselves also often contribute to the confusion by their failure to submit reports of income and allowance payments or changes therein, furnished by cover.
4. With respect to corrective action by Headquarters, an Agent Foreign Duty Data Sheet has been developed which is designed to furnish the field with full information regarding the financial administration of contracts. Your station should begin receiving this form shortly. We feel that timely submission of the form will do much to strengthen the coordination on the financial aspects of agent contracts between Headquarters and the field. When these forms are received, we shall very much appreciate receiving your reaction, comments and suggestions regarding use of the forms.
5. In the case of the field, it will be appreciated if procedures are reviewed with a view to expediting advice on changes in status which have a bearing on compensation and allowances. The importance of timely submittal of such information should be particularly stressed to case officers and agents. Also, if the content of dispatches and cables advising of changes in status affecting compensation and allowances, i.e., arrivals, departures, LWOP, [REDACTED], is limited to matters affecting the financial aspects of their contracts, and the designator [REDACTED] is used on the communications, receipt of the information by the responsible Headquarters component will be expedited.
6. In summary, and as stated in paragraph 3 of reference, the complexities of tax problems, [REDACTED] basis for allowances, etc., as well as the fact that basic control over and authority to amend contracts of Headquarters employed agents, in our opinion, preclude the successful transfer to the field of responsibility for the administration of agent compensation and allowance accounts. In this connection, it should be recognized that Staff Agents are not administered as Staff Employees but are considered, for financial administrative purposes, as agents subject to the terms of the individual agreements executed with them.

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7. As indicated in Headquarters' reply to the Audit Report of 1 February 1956-31 August 1956, Headquarters agree that it would be appropriate and feasible to have [redacted] paid by the station. However, in order to minimize the opportunity for dual payments or other confusion in connection with conversion to field payment, it is planned to implement the policy of field payment as of 1 July 1957. Such date coincides with requirements for submittal of annual settlement sheets and will enable a clean cut-off between the two methods of settlement. Specific instructions on this point will be forwarded all stations shortly.

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16 April 1957

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